

Exercise 4

The following equations describe the daily demand for and supply of UK pounds sterling (GBP) in December 2010, where e is the price of the pound expressed in US dollars, Q_d is the quantity of pounds demanded per day and Q_s is the quantity of pounds supplied per day (in billions).

$$Q_d = 701.24 - 18e$$

$$Q_s = 618.64 + 4e$$

- 1 Determine the exchange rate of the UK pound sterling in US dollars (USD/GBP).
- 2 Determine the volume of euros traded per day.

Exercise 5

The following equations describe the monthly demand for and supply of Chilean pesos (CLP) in December 2010, where e is the price of the Chilean peso expressed in Colombian pesos (COP), Q_d is the quantity of Chilean pesos demanded per day and Q_s is the quantity of Chilean pesos supplied per month (in millions).

$$Q_d = 919.76 - 16e$$

$$Q_s = 837.56 + 4e$$

- 1 Determine the exchange rate of the Chilean peso expressed in Colombian pesos (COL/CLP).
- 2 Determine the volume of Chilean pesos traded per month.

Exercise 6

A leading IB economics textbook was priced by an online retailer at USD33.59. The table below provides the price of the US dollar in different currencies. Calculate the price of this textbook in each of these currencies.

Abbreviation	Currency unit	Units per USD
CLP	Chilean peso	469.950
DKK	Danish krone	5.667
EUR	Euro	0.760
HKD	Hong Kong dollar	7.780
INR	Indian rupee	45.213
KES	Kenyan shilling	80.649
MYR	Malaysian ringgit	3.097
NZD	New Zealand dollar	1.335
RUB	Russian ruble	30.456
SGD	Singapore dollar	1.298
SEK	Swedish krona	6.832
CHF	Swiss franc	0.958
GBP	UK pound sterling	0.648

Exercise 7

The following table presents the price of the UK pound sterling (GBP) in terms of 12 different currencies at two different points in time: on 29 December 2005 and 2010. Determine whether each of these currencies strengthened or weakened with respect to the pound between 2005 and 2010 and by what percentage. For example, did the Australian dollar appreciate or depreciate against the pound? By what percentage? (Answer: the Australian dollar appreciated by 55.4 % or, equivalently, the pound depreciated by 35.65 %.)

Currency and abbreviation	Units per GBP	
	29 Dec 2005	29 Dec 2010
Australian dollar AUD	2.359	1.518
Canadian dollar CAD	2.011	1.536
China yuan renminbi CNY	13.932	10.188
Euro EUR	1.457	1.171
Japanese yen JPY	203.499	126.374
New Zealand dollar	2.530	2.019
Norway krone NOK	11.686	9.151
Singapore dollar SGD	2.874	1.993
Swiss franc CHF	2.269	1.465
US dollar USD	1.726	1.539
Mexico peso MXN	18.469	19.011
South Korea won KRW	1,747.790	1,759.992